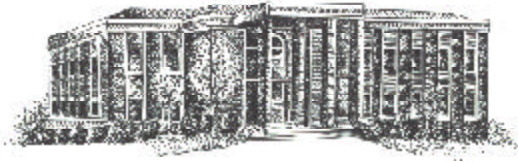


KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



April/May
2006

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Legislative Session 2006

The January/February 2006 edition of the KTRS Newsletter reported that, in an effort to balance a very difficult General Fund Budget for the next two years, \$42 million cited by the System's actuary as needed to properly fund the System was not allocated in the initial budget. In addition, because more than 20% of active KTRS members are eligible to retire, the System's actuary safely and conservatively estimated that \$269 million would be needed for retiree medical benefits for the next biennium. The administration chose to consider historic rates of retirement and reduced the actuarially estimated amount needed for the cost of retiree medical benefits to \$233 million. Finally, the System requested funding needed to provide a COLA that would keep pace with the projected cost of living reflected in the Consumer Price Index as established by the Congressional Budget Office.

The 2006 Session of the Kentucky General Assembly has now come to an end and we can report that funding for KTRS in the final budget is as follows:

The \$42 million in funding cited by the KTRS actuary as necessary to properly fund the System was provided in the

final budget on an ad hoc basis. In addition, the budget reduced the cost to KTRS of medical coverage for retirees under age 65 by \$26 million over the next biennium.

The Governor and Legislature directed KTRS to allocate a portion of the employer contributions that would have gone to

the retirement allowance fund to the medical insurance fund. The portion of employer contributions to be allocated to the medical insurance fund will be in an amount necessary to maintain the medical insurance program for the next two years. The state has committed to repaying the retirement allowance fund--over a ten-year period with interest--all employer contributions that are allocated from it to the medical insurance fund.

Funding for ad hoc COLAs of 0.8% and 0.6% was provided which, when added to the standard 1.5% COLA, will provide total COLAs of 2.3% for 2006-2007 and 2.1% for 2007-2008.

In addition to the budget legislation mentioned above, provisions requested by the KTRS Board of Trustees and contained in House Bill 555 became law. House Bill 555 codifies in statute the ad hoc COLAs provided for in the budget and updates the funding schedules for past benefit improvements. It also directs KTRS to study the possibility of using pension obligation bonds to stabilize employer contribution rates. The bill also increases the earnings limitation for members who retired under the disability provisions on or before July 1, 2002, from \$27,000 to \$40,000. These retirees will be able to earn in allowable, non-KTRS covered employment (when

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added to their disability retirement allowance) a combined income equal to the greater of \$40,000 or their last annual compensation before retirement. The \$40,000 limitation is the same limit set for persons who retire under the disability provisions after July 1, 2002. Also requested in House Bill 555 was language that would provide future increases in employer contributions if determined necessary by the System's actuary. Though funding was provided in the budget on an ad hoc basis for this biennium, the requested language providing future necessary increases was not in the final version of the bill.

Finally, the 2006-2008 budget includes the General Fund Surplus Expenditure Plan. Under

the provisions of this Plan, the KTRS medical insurance fund would be in line to receive a portion of any surplus moneys in the General Fund undesignated fund balance on June 30, 2006 and June 30, 2007. Subsequent to these dates, funds that are certified as being available in the actual General Fund undesignated fund balance for the General Fund Surplus Account will be appropriated pursuant to the Plan.

Thanks in large part to your phone calls, letters and e-mails, KTRS was able to improve its position in the final budget and achieve the funding that it must have for the coming biennium. Thanks are also due to your elected representatives who worked with the retirement system to help address our needs.

Upcoming KTRS Board of Trustees Election

The Teachers' Retirement System is governed by a nine member Board of Trustees. Two trustees are ex-officio members, the Chief State School Officer and the State Treasurer. The remaining



seven trustees are elected by the retired and active membership. Elections are held in May of each year to fill either one or two positions on the Board. Positions are held for

four-year terms and the elections are staggered. This May, the membership will elect an active member trustee and a lay trustee.

The candidates for the active teacher position are Laura Zimmerman, the incumbent, from Lexington, and Wanda Lee Meaux, from Richmond.

The candidates for the lay trustee position are Orson Oliver, from Louisville, and Robert M. Conley, the incumbent, from Paintsville.

In early May, each retired and active KTRS member will receive a ballot with information about the candidates. Retired members will receive a yellow ballot and active members will receive a blue ballot. Please select your candidates, tear along the perforation, and drop the ballot in the mail. Postage is prepaid. You may return your ballot any time during May, but no later than May 31, 2006. The Chief State School Officer is responsible for counting the ballots.

All members are urged to review the qualifications of each candidate and cast their ballot for the candidate in each category that they feel has the best qualifications to be an effective member of the Board of Trustees. The results of the election will be announced in the next KTRS newsletter.

Keep Your Address Current

All KTRS members are reminded that when they change addresses they should notify KTRS in writing in order to continue to receive their KTRS mail. Newsletters, annual statements, ballots, and special mailings can only be mailed to members who maintain valid addresses with KTRS.



Important Information for Year 2006 Retirees

The following answers are provided to help with often-asked questions pertaining to retirement.

Q: If I am planning to retire this year, what should I do in preparation?

A: There are certain steps that you should be aware of to ensure a successful retirement. An application form must be requested from the KTRS office in Frankfort. It is called a Form 23 - Application for Service Retirement and is available only from the KTRS office. You will be required to submit copies of your Social Security card and your official, certified birth certificate when you submit your retirement application. A copy of your official certified marriage license is required if married. Also, if you select a payment option that provides a lifetime benefit to a surviving beneficiary, you will need to provide a copy of the beneficiary's official, certified birth certificate.

Q: Does my employer need to complete any part of my retirement application?

A: YES. Sections VII and VIII need to be completed and signed by your employer in order to finalize your retirement application. Please allow sufficient time for your employer to complete these sections.

Q: What is the deadline to file for retirement?

A: June and July retirement applications must be received in the KTRS office no later than June 1, 2006.

Q: When will I receive my first check?

A: To be eligible for the June effective date, retiring members must complete their employment contract and resign from their position by May 31st. A one-month service credit reduction will occur for June retirements. June 1st retirees will receive their first annuity payment by direct deposit on June 28th. July 1st retirees will receive their first annuity payment by direct deposit on July 28th. Please be reminded that as a result of 1998 legislation, all retirement payments must be sent by Electronic Funds Transfer (EFT). Section II of the retirement application requires you to supply your financial institution information and attach your voided or cancelled check.

Q: If I am retiring this year, when will my medical insurance become effective through KTRS?

A: Your medical insurance will become effective through KTRS on the 1st day of the month FOLLOWING the month your retirement is effective.

Your Checklist **Filing for** **Retirement**

- ☐ **Your KTRS Service Retirement application.**
(Form 23) *(must be completed and signed by you and your employer)*
- ☐ **A copy of your official certified birth certificate.**
- ☐ **A copy of your Social Security card.**
(issued by the SSA and bearing its seal and your signature)
- ☐ **A copy of your official certified marriage license.**
(if married at the time of your retirement)
- ☐ **A copy of your beneficiary's official certified birth certificate.**
(if Retirement Option III, IIIA, IV or IVA is selected)
- ☐ **You should submit payment for any service credit purchase two months prior to your retirement.**
(If you are qualifying out-of-state service or purchasing non-standard service to retire, the retirement system will calculate the amount due and notify you in writing upon receipt of your completed application)

RETIREES RETURNING TO WORK

Break-In-Service Guidelines

KTRS retirees who wish to return to work in a non-university or community college KTRS covered position must have a "Break-In-Service" from their last date of employment until the date they return to work after retirement has begun.

How is the last day of employment defined?

The last date of employment is the last day that duties were performed prior to retirement and not necessarily the last day of the contract period or fiscal year. For classroom teachers employed by local school districts, oftentimes the last date of employment is around June 1, while the contract period ends June 30.

How is the length of the required Break-In-Service determined?

The required Break-In-Service depends not only upon whether the retiree returns to work in a full-time position or in a part-time position, but also where the retiree returns to work.

Define part-time position.

A part-time position is a position where the retiree works less than 70% of the contract days in the position.

Define full-time position.

A full-time position is a position where the retiree works 70% or more of the contract days in the position.

What are the lengths of the required Breaks-In-Service?

If the retiree returns to work in a full-time position with the same employer from which they retired, then the required Break-In-Service is one year from the last date of employment.

If the retiree returns to work in a full-time position with a different employer from which they retired, then the required Break-In-Service is three months from the last date of employment.

If the retiree returns to work in a part-time position regardless of employer, then the required Break-In-Service is three months from the last date of employment.

Examples of Required Breaks-In Service:

The required Break-In-Service is not calculated in days. For example, if the last date of employment is May 26, then the retiree may not perform any duties in a part-time position with any district before August 27. Likewise, if the last date of employment is May 26, then the retiree may not perform any duties in a full-time position with a different employer from which they retired before August 27. In the case of returning to full-time employment with the same employer from which they retired, the earliest date to perform any duties is May 27 of the following year. The one-year break in service for returning to full-time employment with the employer from which they retired must be a complete break. Employment with any KTRS employer during the one year after retirement extends the length of time they may return to the same employer from which they retired.

Why is a Break-In-Service necessary?

There are two equally important reasons why a Break-In-Service is necessary. The first is to keep the Kentucky Teachers' Retirement System in compliance with Internal Revenue Service (IRS) requirements. The IRS has strict rules regarding a retired teacher receiving in-service distributions. An in-service distribution occurs when an individual draws a retirement allowance from his or her employer before he or she has actually retired with a complete separation from employment. A Break-In-Service is a fundamental prerequisite in demonstrating that a retirement with a complete separation from employment has occurred. Retired members who return to work with a KTRS employer must follow these guidelines the IRS has set forth. Failure to abide by these rules can lead to the IRS disqualifying KTRS' tax-deferred status. This status is very important for members and should not be jeopardized as it permits members to make their retirement contributions to KTRS on a tax-deferred basis. The second reason for Breaks-In-Service is that without them members would naturally "retire" as soon as possible without ever missing a day of work, thereby artificially lowering the retirement age. An artificial lowering of the retirement age would create an actuarial imbalance in the retirement system and a draining of the retirement system funds that are used to pay for everyone's retirement benefits.



How Would a Mid-Career Planning Workshop or Pre-Retirement Seminar Benefit Me?

Throughout the year, KTRS offers **Mid-Career Planning Workshops** to teachers, university faculty, school administrators and others. Members who desire to learn about their KTRS retirement account or how the System operates will benefit from attending one of these sessions. Also available are **Pre-Retirement Seminars** for those within one to five years of retirement, who would like to know how to maximize their KTRS pension, learn the retirement process, and get all their questions answered. These workshops and seminars are packed with information that will help each person move smoothly from one phase of life into the next. We should all prepare for a fresh new journey earned by our previous labor. Simply complete the pre-registration form and return to KTRS if you would like to attend one of the sessions.

KENTUCKY TEACHERS' RETIREMENT SYSTEM MID-CAREER PLANNING WORKSHOPS

REGISTRATION
9:00am - 9:05am (Local Time)
SEMINARS
9:05am - NOON (Local Time)

June 27, 2006
Barren River SRP
Tartan Room
1149 State Park Rd
Lucas, Kentucky

July 11, 2006
General Butler SRP
Conference Center
1608 HWY 227
Carrollton, Kentucky

July 17, 2006
Lake Cumberland SRP
Activity Center
5465 State Park Road
Jamestown, Kentucky

KENTUCKY TEACHERS' RETIREMENT SYSTEM PRE-RETIREMENT SEMINARS

REGISTRATION
9:00 A.M. - 9:15 A.M.
(Local Time) **SEMINAR**
9:15 A.M. - 1:00 P.M.
(Local Time)

You are invited to attend if you are at a minimum of one year to a maximum of five years from retirement.

July 11, 2006
KY Dam Village SRP
Convention Center
166 Upper Village Drive
Gilbertsville, Kentucky

July 12, 2006
Rough River SRP
Lodge Lower Level
450 Lodge Road
Falls of Rough,
Kentucky

July 18, 2006
Natural Bridge SRP
Activity Center
2135 Natural Bridge Rd
Slade, Kentucky

July 19, 2006
My Old Kentucky Home SP
Visitor Cntr, Great Hall
US 150
Bardstown, Kentucky

July 20, 2006
The Center for Rural
Development
2292 South HWY 27
Somerset, Kentucky

Please feel free to bring a snack to have during the seminar.

KTRS SEMINAR OR WORKSHOP PRE-REGISTRATION FORM

Pre-registration for all seminars is **NECESSARY** and offered on a first come, first serve basis. Individual retirement estimates will **NOT** be available at these workshops/seminars. **Return this pre-registration form to KTRS or pre-register on-line at: www.ktrs.ky.gov**

This Pre-Registration is for: ☐ **Mid-Career Workshop** or ☐ **Pre-Retirement Seminar**

Name _____ Social Security Number _____-_____-_____
Address _____
City/State _____ ZIP Code _____
Name of Employer _____
Home Phone: (____) _____ Work Phone: (____) _____
Date of Workshop attending: _____ City of Workshop attending: _____

** Guests are welcome if seating is available. Priority is given to KTRS Members**

Please return completed registration form to: KTRS • 479 Versailles Road • Frankfort, KY 40601-3800

Timely Reminders to Deadlines for Purchasing 2005-2006 Service Credit

Members who had unpaid contract days in the 2005/2006 fiscal year should contact KTRS about their eligibility to obtain full service and/or salary credit. The deadline for purchasing this type of credit is December 31, 2006.*

*(Members granted leaves of absence in 2004/2005 should contact KTRS about recovering this credit. The deadline for this type of purchase will expire June 30, 2006. *)*

Members granted leaves of absence in 2005/2006 should contact KTRS about recovering this credit. The deadline for purchasing unpaid days covered by a leave in 2005/2006 is June 30, 2007.

* Appropriate forms can be obtained at www.ktrs.ky.gov or from your employer.



KTRS Retiree Analysis

As of March 27, 2006, KTRS had 4,598 service retirees that were at least 80 years old. This represents 13.8% of the total number of service retirees (33,329).

Age 100 or more (oldest is 106)	39 Retirees
Age 95 - 99	218 Retirees
Age 90 - 94	840 Retirees
Age 80 - 89	3,501 Retirees